

Message Text

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TAGS:EGEN, ECON, XC, XE, XP

SUBJECT:OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT,
NOVEMBER 29, 1977

1. STEEL (CONFIDENTIAL)

THE OECD AD HOC COMMITTEE ON STEEL MEETING ON
NOVEMBER 30-DECEMBER 1 IS DESIGNED LARGELY TO GIVE AN
OECD IMPRINT THAT THE INDIVIDUAL COUNTRY POLICIES ON
STEEL ARE IN CONFORMITY WITH INTERNATIONALLY ARRIVED
AT RULES. DAVIGNON, EC COMMISSIONER, WAS PARTICULARLY
CONCERNED THAT IT NOT APPEAR THAT THE US WAS "DICTATING
TERMS" TO THE EC. THUS THE STATEMENT COMING OUT OF THE
MEETING WILL GENERALLY MIRROR THE US POLICY, WHICH WE
EXPECT THE PRESIDENT TO ANNOUNCE LATE THIS WEEK.

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2. SUGAR (LIMITED OFFICIAL USE)

OUR RECENTLY ANNOUNCED POLICY OF INCREASING THE TARIFF
AND IMPOSING A FEE ON IMPORTED SUGAR IS RUNNING INTO
SERIOUS PROBLEMS. THE REGULATION WAS DRAFTED IN SUCH A
WAY THAT IT DOES NOT COVER FULLY REFINED SUGAR. IT
APPEARS THAT RAW SUGAR IS BEING SHIPPED TO CANADA,

REFINED AND RESHIPED TO THE US THUS AVOIDING THE

THE INCREASED DUTIES. CUSTOMS HAS ALSO RUN INTO A PROBLEM IN DETERMINING THE VALUE OF SUGAR, A FIGURE NEEDED IN ORDER TO ASSESS THE AD VALOREM FEE. CUSTOMS HAD USED THE NY SPOT PRICE UNTIL IT WAS DISCONTINUED BECAUSE OF A JUSTICE DEPARTMENT ANTI-TRUST INVESTIGATION. IF CUSTOMS CAN NOT COME UP QUICKLY WITH A METHOD OF DETERMINING VALUE WE MAY BE FORCED INTO ESTABLISHING A GLOBAL QUOTA IN ORDER TO LIMIT US IMPORTS.

3) COMMON FUND (CONFIDENTIAL)

AS WE ENTER THE FOURTH AND FINAL WEEK OF THE COMMON FUND NEGOTIATING CONFERENCE, IT IS THE USG ASSESSMENT THAT THE TIME IS NOT YET RIPE TO RESOLVE THE MAJOR ISSUES -- OTHER MEASURES AND THE CAPITAL STRUCTURE OF THE CF. WE BELIEVE THAT A SMALLER GROUP SHOULD BE ESTABLISHED TO WORK ON THESE ISSUES. THE G-77 IS LIKELY TO ACCEPT THIS IDEA AS THE ONLY OTHER ALTERNATIVE IS FOR THE CONFERENCE TO COLLAPSE. HOWEVER, THERE WILL BE SOME HARD BARGAINING OVER THE TERMS OF REFERENCE GIVEN TO THE GROUP. WE HOPE TO BE ABLE TO MAINTAIN GROUP B UNITY DURING THIS EXERCISE.

4) OPIC, LABOR AND PROTECTIONISM (LIMITED OFFICIAL USE)
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THE ADMINISTRATION HAS DECIDED TO SEEK A VOTE IN THE HOUSE OF REPRESENTATIVES ON THE LEGISLATION AUTHORIZING THE CONTINUATION OF OPIC DESPITE STRONG OPPOSITION TO A RENEWAL OF OPIC'S MANDATE BY THE AFL-CIO. DISCUSSIONS WITH THE HOUSE LEADERSHIP ARE UNDERWAY IN AN ATTEMPT TO SCHEDULE IT FOR THE WEEK OF DECEMBER 12 OR DECEMBER 19 DEPENDING ON WHEN THE ENERGY CONFERENCE REPORT IS AVAILABLE FOR FLOOR ACTION. SENIOR ADMINISTRATION OFFICIALS ARE BEING LINED UP TO LOBBY.

LABOR'S CAMPAIGN IS VIEWED IN ADMINISTRATION CIRCLES AS POSSIBLY THE OPENING GUN IN A MAJOR LEGISLATIVE DRIVE FOR PROTECTIONISM WHICH WOULD EXTEND NOT ONLY TO TRADE PROBLEMS BUT TO OTHER GOVERNMENT PROGRAMS WHICH ALLEGEDLY HELP BUILD FOREIGN COMPETITION.

THE BIENNIAL CONVENTION OF THE AFL-CIO BEGINS DECEMBER 8TH IN LOS ANGELES. UNION REPRESENTATIVES HAVE TOLD DEPARTMENT OFFICERS THAT INTERNATIONAL TRADE ISSUES WILL RECEIVE SUBSTANTIAL ATTENTION DURING THE CONVENTION AND THAT A LEGISLATIVE PROGRAM FOR THE NEXT

SESSION OF THE CONGRESS IS LIKELY TO BE CONSIDERED.

5) PRICE INCREASES FOR PL-480 COMMODITIES
(LIMITED OFFICIAL USE)

PRICE INCREASES FOR AGRICULTURAL COMMODITIES HAVE ADDED A FURTHER COMPLICATION FOR SOME PL-480 PROGRAMS TO ADD TO THE COMPLICATIONS OF THE STILL UNRESOLVED HUMAN RIGHTS ISSUE. BASED ON NEW USDA FORCAST OF FY 1978 AVERAGE PRICES, THE TOTAL VALUE OF THE CURRENT COUNTRY-ALLOCATED FY 1978 PL-480 TITLE I PROGRAM HAS INCREASED FROM 654 MILLION DOLLARS TO 702 MILLION DOLLARS. THIS REMAINS WITHIN THE 800 MILLION DOLLARS PROVIDED IN CURRENT LEGISLATION, BUT WOULD REDUCE THE CONFIDENTIAL

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FUNDING AVAILABLE FOR THE UNALLOCATED RESERVE. THE NET EFFECT ON PRICING FOR THE KOREAN AND PHILIPPINES PROGRAMS IS VERY SMALL AND PRESENT PLANS ARE TO STICK WITH THE ORIGINAL DOLLAR REQUESTS OF 57.8 AND 13.3 MILLION DOLLARS RESPECTIVELY. THE VALUATION FOR THE INDONESIAN PROGRAM, HOWEVER, HAS INCREASED FROM 99.3 TO 119.2 MILLION DOLLARS. FOR THE PRESENT, NEGOTIATIONS WITH THE GOI WILL PROBABLY CONTINUE TO BE BASED ON THE OLD PRICES, ASSUMING THE HUMAN RIGHTS ISSUE IS RESOLVED, BUT A LATER AMENDMENT WILL VERY LIKELY BE REQUIRED IF THE ENTIRE REQUEST IS TO BE FUNDED.

6) OVERVIEW MECHANISM FOR NORTH-SOUTH DIALOGUE
(CONFIDENTIAL)

THE ISSUE OF AN OVERVIEW MECHANISM FOR THE NORTH-SOUTH DIALOGUE IS COMING TO A HEAD IN THE SECOND COMMITTEE OF THE UNGA. WHILE THERE IS A GENERAL CONSENSUS IN GROUP B COUNTRIES THAT THE DRAFT RESOLUTION TABLED BY G-77 ON NOVEMBER 22 IS UNACCEPTABLE, VIGOROUS USG EFFORTS TO DEVELOP A COMMON GROUP B POSITION HAVE NOT SUCCEEDED AS YET. THE G-77 RESOLUTION PROPOSES AN OPEN ENDED AD HOC COMMITTEE OF THE WHOLE WITH A FAR-REACHING MANDATE WHICH ENTAILS NEGOTIATIONS ON TARGETS, ETC. THE USG PROPOSAL WOULD GIVE THE OVERVIEW FUNCTION TO ECOSOC WITH REAL CONTROL PLACED LARGELY IN THE HANDS OF A RELATIVELY SMALL STEERING COMMITTEE. THE CRUCIAL ISSUE AS FAR AS THE USG IS CONCERNED, HOWEVER, IS THE MANDATE WHICH THE US WANTS TO BE PURELY CONSULTATIVE. PROSPECTS FOR REACHING AGREEMENT ARE VERY UNCERTAIN.

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